

Message Text

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ACTION EB-03

INFO OCT-01 SS-14 ADP-00 NSC-10 NSCE-00 T-01 OMB-01

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AMEMBASSY TEHRAN
AMEMBASSY TOKYO
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C O N F I D E N T I A L ROME 2073

LIMDIS

E. O. 11652: GDS
TAGS: ENRG, IT
SUBJECT: CONSUMER COOPERATION ON ENERGY

REF: STATE 44081

1. SUMMARY. ITALY GREATLY IN FAVOR CONSUMER COOPERATION AND
PRODUCER- CONSUMER COOPERATION AS WELL. BOTH GOI BUREAUCRACY AND
ENI-- THEIR RESPECTIVE ROLES IN ITALIAN ENERGY POLICY ARE NOT
CLEAR-- ADVOCATE DIRECT BILATERAL RELATIONS BETWEEN NATIONAL
COMPANIES AND PRODUCERS FOR ARRANGEMENTS GOING FAR BEYOND TRADIT-
IONAL PURCHASE CONTRACTS. ITALIANS WOULD WELCOME INCREASEDR
CONSULTATION IN OECD, PARTICULARLY TO AVOID CONSUMER COMPETITION
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FOR SUPPLIES. THEY ARE SENSITIVE TO EMERGENCE US AS MAJOR IMPORTER. WE DO NOT BELIEVE THEY WOULD WANT COOPERATE IN ANY DEFENSIVE BLOC BACKING MAJORS OR IN ANY ARRANGEMENT THAT IMPLIES THAT INTERESTS MAJORS AND CONSUMERS ARE IDENTICAL. OTHERWISE, GOI HAS NOT SPELLED OUT SPECIFICS OF COOPERATION THEY WOULD SUPPORT. END SUMMARY.

2. ITALIANS ARE TIRELESS IN ENDORSING CONCEPT OF GREATER CONSUMER COOPERATION IN ENERGY. THIS TACK IS SEEN AS A MEANS TO HELP BRIDGE THE OFTEN CONFLICTING REQUIREMENTS OF (A) THE ITALIAN FLAG COMPANY ENI, AND (B) THE ITALIAN MARKET WHICH NOW MEETS ABOUT 80 PERCENT OF ITS PETROLEUM NEEDS THROUGH IMPORTS BY THE MAJOR INTERNATIONALS. ENI AND GOI ARE ALSO LONGTIME ADVOCATES OF CLOSER BILATERAL COOPERATION BETWEEN COMSUMER NATIONAL OIL COMPANIES AND PRODUCER GOVTS. ALTHOUGH THIS STANCE HAS BEEN CRITICIZED BY MAJORS AS SMOKESCREEN FOR SPECIAL ENI DEALS AT EXPENSE CONSUMER SOLIDARITY (E. G. IN IRAQ AND LIBYA), ENI MAINTAINS THESE RECIPROCAL ARRANGEMENTS GIVE LOWER PRICES AND SURER SUPPLY THAN OBTAINABLE THROUGH PRIMARY RELIANCE ON MAJORS, WHO MUST IN END ACCEPT TERMS OF OPEC PRODUCERS AND PASS ON PRICE INCREASES TO CONSUMERS.

3. THERE IS AN ELEMENT OF AMBIGUITY IN RELATIONSHIP BETWEEN ENI AND GOI OIL POLICY. ENI HAS TRADITION OF AUTONOMY AND TO SOME EXTENT ITS OWN POLITICAL BASE. THESE TOGETHER MAKE ENI SOMETIMES AS MUCH THE MAKER AS THE EXECUTOR OF ITALIAN ENERGY POLICY. WHILE INITIALLY THIS SITUATION COULD MAKE EFFECTIVE ITALIAN COOPERATION MORE DIFFICULT, SINCE GOI VERY MUCH APPRECIATES ROLE OF MAJORS IN ITALY, AND RESULT COOPERATION PROCESS COULD BE CONVERGENCE OF GOI AND ENI VIEWS.

4. AS SPECIFICALLY INDICATED IN THE ITALIAN SUBMISSION TO OECD OIL COMMITTEE (OECD PARIS 6141), THE ITALIANS SUPPORT COOPERATIVE ACTION TO EXPAND AND DIVERSIFY ENERGY SUPPLIES, BOTH PETROLEUM AND OTHER FORMS, THROUGH BRINGING MORE CONSUMER GOVERNMENTS AND MORE NATIONAL COMPANIES (E. G., ENI) INTO DIRECT RELATIONSHIP WITH PRODUCERS. THEY ALSO ENVISAGE CONSUMER GOVERNMENTS ENGAGING IN OTHER FORMS COOPERATION WITH PRODUCERS, INCLUDING SALES OF MACHINERY AND INDUSTRIAL PLANTS PLUS PROVISION TECHNICAL ASSISTANCE IN EXCHANGE FOR PURCHASES CRUDE.

5. BUT BEYOND THESE GENERALITIES ITALIANS HAVE DONE LITTLE
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TO SPELL OUT IN CONCRETE FORM THE TYPE OR EXTENT OF SUCH COOPERATION THEY WOULD SUPPORT. WE CAN BE REASONABLY CONFIDENT, HOWEVER, OF WHAT THE ITALIANS DO NOT WANT. THEY WOULD AT THIS

STAGE BE ADVERSE TO ANY DEFENSIVE BLOC APPROACH DESIGNED TO LEND SUPPORT TO MAJOR OIL COMPANIES IN FUTURE NEGOTIATIONS WITH OPEC. THEY WOULD ALSO NOT WANT ANY FORM OF CONSUMER GOVERNMENT COOPERATION WHICH IMPLIES THAT THE INTERESTS OF THE CONSUMER COUNTRIES AND THOSE OF THE INTERNATIONAL COMPANIES ARE NECESSARILY THE SAME.

6. ITALY WOULD CERTAINLY WELCOME GREATER CONSULTATION IN ADVANCE OF POLICY DECISIONS AND WOULD ON OCCASION BE WILLING ADOPT COMMON LINE DEPENDING ON CIRCUMSTANCES. THEY WORRY ABOUT CONCENTRATION OF ITALIAN SUPPLIES FROM THE ARAB WORLD AND WOULD WANT TO DISCUSS ALTERNATE ENERGY SOURCES. OUR CONTACTS EXPRESS HIGH REGARD FOR OECD FORUM FOR ENERGY COOPERATION AND WE BELIEVE THEY WOULD LIKE TO SEE IT STRENGTHENED. EC ENERGY POLICY FORMULATION IS ALSO OF INTEREST, BUT GOI RECOGNIZES THAT EUROPEAN APPROACH TO ENERGY WHICH WOULD COMPETE WITH OTHER INDUSTRIAL COUNTRIES COULD BE AS DAMAGING AS CONFLICTING NATIONAL POLICIES. THEY DO NOT WANT TO WAIT UNTIL EC CAN SPEAK WITH SINGLE ENERGY VOICE BEFORE IMPROVING COOPERATION AMONG INDUSTRIAL COUNTRIES. THEY ALSO WOULD LIKE TO SEE IMPROVED RELATIONS WITH OPEC AND EFFORT TO ATTEMPT COMPREHEND PRODUCER POINT- OF- VIEW.

7. ITALY RECOGNIZES THAT COMPETITIVE NATIONAL POLICIES COULD BE DIVISIVE BOTH WITHIN EC AND NATO, AND BELIEVES THAT COOPERATION RATHER THAN CONFLICT WILL HELP MEET THE MUTUAL NEEDS OF EUROPE, JAPAN, AND THE U. S. WHILE AT THE SAME TIME HELPING MAINTAIN ITALY' S IMPORTANT ECONOMIC AND POLITICAL INTERESTS IN PRODUCING AREAS, ESPECIALLY IN THE MEDITERRANEAN AND THE MIDEAST. IN THIS RESPECT, ITALIANS HOPE THAT USG WILL MOVE AWAY BEYOND TRADITIONAL STANCE OF SUPPORT FOR US MAJORS, CITING EMERGENCE OF US AS MAJOR IMPORTER. THEY FORESEE POTENTIALLY DESTRUCTIVE COMPETITION FOR ENERGY SUPPLIES WHICH COULD BE OFFSET BY USG MOVEMENT TOWARD MORE ACTIVE DIRECT ROLE IN OIL MATTERS. VOLPE

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